Corporate Cost Review

Project/Program	2RF Budget	1993 Savings	Comments/Implications
Cultural Affairs ***(project promotional activity, excludes advertising which is listed separately)***			
Alvin Ailey	341,250	70,023	
American Center in Paris	10,000	10,000	
Arts Forward Fund	5,000	1,500	
Art Services	25,000	19,750	
Bridges & Boundaries	80,400	56,324	
Commodity Image	65,000	13,000	
Dance Fund	225,000	27,000	
Dejavant	36,000	36,000	Covers printing, promotion and a reception for the most important avant-garde performing arts festival in Chicago. KGF endorsement.
District Curators	19,000	7,565	
Festival of Korea	197,000	30,000	Limits PM visibility for major project.
Jensen & Associates	10,000	10,000	
Joffrey Ballet	188,700	30,000	Reduces PM identity with project in San Francisco and NYC markets.

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

Corporate Cost Review

Project/Program	2RF Budget	1993 Savings	Comments/Implications
Kennedy Center	14,500	9,500	
Kindred Spirits	30,000	9,000	
Latin American Spirit Film	43,000	12,000	Low public awareness on upcoming broadcast; lost opportunity for visibility.
Matisse	8,500	5,306	
Museum of the City of NY	5,000	1,000	
National Assn. of State Arts Agencies	5,000	5,000	
Pentacle	31,500	20,000	
Special Projects	20,000	16,701	
Spoleto	10,250	5,900	
Visual Services	25,000	20,060	
Whitney 10th Anniversary	7,500	7,500	
William Henry Johnson	36,600	12,000	No PM exposure in Fort Worth plant community.
Works & Process	18,000	14,371	Would effect outreach of a program that has had a great impact on PM's support of new and innovative work.
Total Cultural Affairs Savings		$450,000	

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

Corporate Cost Review

Project/Program	2RF Budget	1993 Savings	Comments/Implications
Corporate Contributions Admin.			
Education & Health Consultants	229,800	65,000	Loss of advice and counsel for Contributions programs.
Exhibitions/Receptions	30,000	10,000	PM will be unable to highlight new leadership role in corporate grantmaking. Lose opportunity to generate positive public perception.
Guidelines in Spanish	7,000	7,000	Unable to reach orgs. isolated by language barriers.
Hunger Brochure	5,000	5,000	
Matching Gifts Brochure	5,000	5,000	Important for all employees to know the full extent of this part of their benefits package.
Matching Gifts Program - Outsourcing	125,000	47,000	Jeopardize ability to match current gifts of executives/employees; public relations nightmare.
Pocket Guidelines	1,000	1,000	
Seminars, Conference, Wkshps	23,000	10,000	Hampers staff development.
Total Corp. Contributions Savings		**$150,000**	

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

Project/Program	2RF Budget	1993 Savings	Comments/Implications
Public Programs			
Corporate Display Booth	569,958	290,000	Increases doubts of commitment to minority constituents. Eliminates participation of minority vendor program at convention activities.
Public Programs - Part Timer	20,000	10,000	
Public Programs - Temp. Help	233,627	62,000	Would leave Washington staffer and two NYO Public Affairs Managers without clerical support for the 100+ programs/events.
Public Programs Various Projects	123,200	63,700	
Total Public Programs Savings		$425,700	
International Public Affairs			
International Programs	225,000	150,000	
WCAN Database Center	90,000	60,000	
Total International Public Affairs Savings		$210,000	

Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

Corporate Cost Review

Project/Program	2RF Budget	1993 Savings	Comments/Implications
Corporate Advertising			
Diversity Advertising	102,000	50,000	
Brooklyn Academy of Music	341,500	293,000	Risk losing public awareness of PM's support for the Next Wave Festival, and also our leadership support in the arts.
Dejavant	34,300	23,300	Would reduce PM visibility in greater Chicago area.
Festival of Korea	623,200	435,300	Limited PM visibility for major project.
Geoffrey Holder	36,900	9,100	There would be no PM exposure among political and community leaders in the Arkansas state capital.
Hand-Painted Pop	996,800	31,700	Would lose some corporate exposure in NYC; cancel 2 color spreads.
Jacob Lawrence	457,700	290,900	Reduction of PM visibility by canceling ads of major African-America touring exhibition marking 35th anniversary of arts support.
Joffrey Ballet	254,300	23,000	Loss of PM identity with project in San Francisco and NYC markets.

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

Corporate Cost Review

Project/Program	2RF Budget	1993 Savings	Comments/Implications
Latin American Spirit Film	122,500	74,000	Low public awareness on upcoming broadcast; lost opportunity for visibility.
Lincoln Center	100,000	37,800	July project; Could reduce by $14,700 and still have some corporate identity with project.
Opera New World	77,000	6,800	
Something New (Kennedy Center)	53,900	38,500	No advertising would result in limited PM visibility.
William Henry Johnson	50,200	13,600	No PM exposure in Fort Worth plant community.
In the Public Interest Advertising	698,000	673,000	
National Newspaper Association Campaign	1,068,000	500,000	Reduces ability to adequately impact advertising ban agenda through small weekly and daily newspapers.
Total Corporate Advertising Savings		$2,500,000	
Gateway Literacy	2,544,790	235,000	
Washington Relations			
Consultants	2,418,500	120,000	Federal issues - Tax consultant's monthly retainer reduced by 15%; KGF consultant reduced by 50%. All other consultants reduced by 5%.

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

Corporate Cost Review

Project/Program	2RF Budget	1993 Savings	Comments/Implications
Contributions	548,000	100,000	Reducing Congressional functions PM sponsors as donations in lieu of honoraria to Members attending. A reduction could be risky as we head into an era where PAC funds may be entirely banned.
Overtime	120,000	50,000	Washington Relations has instituted a new hourly work week schedule and policy for overtime approval.
Professional Services	250,000	100,000	
Public Relations Activities	448,500	30,000	Non-renewal of contract for P.R. firm that assists the Washington Relations office with promoting PM's image.
Travel	725,700	100,000	Reduction in our ability to effect one-on-one meetings.
Total Washington Relations Savings		$500,000	
Publications			
Communicators Conference	20,000	20,000	
PM Globe	2,694,565	120,000	Eliminate 4 freelance staff. Change format from 8 issues of 22 and 24-pages to 16 page issues.
PM Globe International Section	64,000	64,000	

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

Project/Program	2RF Budget	1993 Savings	Comments/Implications
Tennis Hall of Fame	71,350	27,300	Pledged $43,550 in '93. Eliminating requires senior management review.
Total Publications Savings		$231,800	
Media Relations			
"FYI" Information Services	147,400	40,800	Streamline operations using electronic information gathering.
Litigation Communication	75,000	18,000	Reduces contractual agreement with John Scanlon who provides strategic counsel on litigation activities.
Media Relations Press Releases	137,616	40,000	
Serino Coyne Consultant	350,000	75,000	
Video & Radio News Releases	125,000	49,000	Limits ability to reach certain media outlets.
Total Media Relations Savings		$222,800	
Financial Communications			
Financial Communications & Corporate Photography	520,100	100,000	Reduces photography for analyst and executive presentations and new products/acquisitions.
William Ruder	280,000	46,000	Cut retainer in half by 9/1/93. Requires senior mgt. review.

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

Corporate Cost Review

Project/Program	2RF Budget	1993 Savings	Comments/Implications
Total Financial Communications Savings		$146,000	
Editorial & Video Services			
North American Precis Syndicate	17,000	17,000	Eliminates program to place editorials in small weekly and daily papers.
PM in Motion video magazine	780,000	300,000	Eliminates internal, quarterly video magazine to employees.
Speaker Support Videos	29,500	29,500	No video support for any speeches in 1993 and 1994.
Speech Writing & Reprints	221,342	50,000	Eliminates reprints of sr. executive speeches which publicize positive views of key company issues.
Total Editorial & Video Services Savings		$396,500	
Policy, Finance & Analysis			
Science & Environmental Affairs	360,000	100,000	
Industry Affairs	143,000	30,000	
PHIL-PAC	138,200	17,000	
Miscellaneous Projects	144,000	13,000	

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

Corporate Cost Review

Project/Program	2RF Budget	1993 Savings	Comments/Implications
Total Policy, Finance & Analysis Savings		**$160,000**	
Corporate Affairs Admin.			
WCAN	247,000	200,000	
Total Policy & Administration Savings		**$200,000**	
Miscellaneous			
Miscellaneous		**$267,500**	Includes 10% travel cut across the board as well as suspension of art acquisition program.
Companies			
Annual Report		200,000	
Securities Analyst		200,000	
Quarterly Report		500,000	
Total Companies Savings		**$900,000**	

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

PHILIP MORRIS COMPANIES INC.
CORPORATE CONTRIBUTIONS
ANALYSIS OF 1993 BUDGET
As of May 31, 1993

OPERATING COMPANY	1992 Actual	1993 Allocated	1993 Disbursed	1993 Committed	1993 Anticipated	1993 Remaining
Focused Giving	$13,384,045	$15,500,000 (a)	$8,038,978	$2,882,344	$2,600,000 *	$1,978,678
Corporate	11,400,604	12,000,000	5,434,836	1,055,520	5,000,000 *	509,644
PM USA	5,965,093	6,400,000	1,666,500	237,200	4,100,000 *	396,300
PM International	1,803,265	2,000,000	753,900	150,000	800,000	296,100
Miller Brewing Company	2,306,200	2,500,000	851,600	231,850	923,500 *	493,050
Mission Viejo Company	398,425	400,000	100,500	0	NA	299,000
Kraft General Foods	14,104,615	16,200,000	7,090,564	991,688	4,600,000 *	2,100,100
TOTAL GRANTS	$49,362,247	$55,000,000	$23,936,878	$5,548,602	$18,023,500	$6,072,872
Matching Gifts	5,535,000	5,500,000	3,061,821	0	1,000,000	1,438,179
TOTAL BUDGET	$54,897,247	$60,500,000	$26,998,699	$5,548,602	$19,023,500	$7,511,051

Domestic Pre-Tax Income	0.86%	0.85%
Worldwide Pre-Tax Income	0.64%	0.63%

(a) Allocated as follows:

Corporate	$12,450,000
Kraft General Foods	2,000,000
Miller Brewing Company	350,000
Mission Viejo Company	50,000
PM International	250,000
PM USA	400,000
	$15,500,000

* Estimates based on conversations with Operating Companies.

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

Corporate Contributions Introduction

Corporate Contributions has compiled the following examples of grants that would be cut within the Focused Giving and Corporate "anticipated" and "remaining" lines. While this $1,809,250 in examples does not constitute all cuts that would be made by Corporate under the scenario of a 12.5 million dollar reduction in 1993, they are representative of the kinds of grants that would have to be eliminated. It is important to note that KGF, PM-USA and Miller have not yet compiled similar lists (this involves extensive work with multiple field offices throughout the country), but it is safe to assume their lists will/would contain similar kinds of organizations in greater volume and on a larger scale. It should also be noted that company-wide, 85% of our grants are $15,000 or less.

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

CIVIC AND COMMUNITY (These represent a small portion of the anticipated grants in this category.)

OPPORTUNITY	$ SAVINGS	ONE TIME COST	RISK/ ISSUES/ COMMENTS
1. City Parks Foundation	27,750		The New York City Parks' Commissioner asked PM to provide funding for lifeguards and other adults to administer the Learn to Swim program. If we were to halt this grant, we would jeopardize the good relationship with the Parks Department, which is one of the few City agencies where we have friends.
2. Congressional Hispanic Caucus Institute	65,000		Funding for twelve Congressional summer interns. Philip Morris has been with this program since its beginning in 1990. With the expansion in the Congressional Hispanic Caucus, our withdrawl of support may be viewed negatively.
3. Leadership Education for Asian Pacifics	25,000		As PM seeks to continue to develop relationships with key officials in the Asian American community, this grant allows us opportunities to network with this population. PM received a good deal of publicity within the media for this grant which helped to establish this Institute. Should funding discontinue, networking and publicity opportunities will be jeopardized.
4. New York City Partnership	130,000		PM continues to provide funds to non-profits throughout the City in order that summer college interns might be hired under the program sponsored by the Partnership. Last year 98 interns were hired as a result of our support. Discontinuation of funding would lead to public relations outcry by students and non-profits, arguing that a major Fortune 500 company headquartered in New York City was unwilling to assume the role of a responsible corporate citizen.
5. Public Policy Project	410,000		PM works closely with over 26 "think-tanks" that provide the Company with information on the major current policy issues. Individuals associated with these organizations are frequently called upon to present publicly a viewpoint on a public policy issue consistent with ours. Without this expertise, many of our legislative initiatives would be in jeopardy.

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

CONSERVATION AND ENVIRONMENT (These represent a small portion of the anticipated grants in this caategory.)

OPPORTUNITY	$ SAVINGS	ONE TIME COST	RISKS/ISSUES/COMMENTS
1. Academy of Natural Sciences	$50,000		Positions PM as a key player in environmental preservation and water conservation - two areas of importance to our consumers and corporate image. Under this grant PM is sponsoring a 15-state conference which will be attended by legislators, environmentalists, teachers, scientists and the general public and is being developed by one of the nation's oldest and largest environmental organizations.
2. Keep America Beautiful	$65,000		As founding member of this very large, very visible and very business-friendly environmental organization, we have traditionally played a leading role in KAB's activities, (i.e. Mr. Miles is serving on KAB's 1993 annual awards committee). This payment represents our annual dues.
3. Resources for the Future	$25,000		This has been developed with Tom Borelli to enhance Philip Morris's corporate environmental image and to influence policy discussions on issues essential to our business operations. This project is seen as an opportunity to educate environmentalists, legislators, scientists and business leaders on key positions held by PM, thus protecting and promoting our current environmental legislative and business strategies.
4. World Resources Institute	$35,000		Project develops and promotes PM's environmental strategy in the area of sustainable agriculture on American farmlands. It will help to affect the policy debate centering around the upcoming U.S. Farm Bill.

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

CULTURE & HUMANITIES (These represent a small portion of the anticipated grants in this category.)

OPPORTUNITY	$ SAVINGS	ONE TIME COST	RISK/ ISSUES/ COMMENTS
1. International Center of Photography	100,000		PM has negotiated to fund an exhibition entitled "Taking Pictures." Defunding at this time would cause embarrassment and place in jeopardy our long-standing relationship with the Center.
2. Theatre Project	161,000		PM funds over 100 theatre companies that are already under significant financial strain. Should PM defund, these companies could face financial ruin Philip Morris would be subject to major embarrassment
3. Whitney Museum of American Art	25,000		PM has agreed to sponsor the Hand Painted Pop exhibition. These ancillary costs are associated with this exhibition. If this project were defunded, this would place the exhibition at-risk and would jeopardize the positive relationship PM has with the Museum.

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

EDUCATION (These represent a small protion of the anticipated grants in this category.)

OPPORTUNITY	$ SAVINGS	ONE TIME COST	RISK/ ISSUES/ COMMENTS
1. American Indian College Fund	37,500		Philip Morris has made a commitment to producing more and better minority teachers. The American Indian College Fund is one of the only organizations that has access, through Tribal Colleges, to a national pool of Native American teacher candidates in Philip Morris states. By supporting the education movement on reservations Philip Morris is one of the only corporations directly involved with these indigenous communities
2. Council for Aid to Education	15,000		As a corporate leader in support for education reform, it is important for Philip Morris to continue our support for national education organizations. This kind of yearly support identifies the corporation as one committed to education issues, and involved in policy and program debates
3. Brooklyn Polytechnic University	50,000		Polytechnic University is widely considered one of the best schools of its kind. The Philip Morris Scholarship Program for Women and Minorities emphasizes our commitment to creating a diverse and talented workforce. We are presently in the midst of a seven-year commitment and would risk losing credibility if we withdraw

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

EDUCATION (Continued)

OPPORTUNITY	$ SAVINGS	ONE TIME COST	RISK/ ISSUES/ COMMENTS
4. Studio in a School	100,000 with KGF		This program is a good example of collaborative grantmaking between corporate and the operating companies. It helps send the message that Philip Morris is more than one company and that we are committed to the arts and to education
5. Bronx Educational Services	5,000		By supporting local adult literacy efforts, Philip Morris reinforces our commitment to literacy across the country. Our support of Gateway is magnified by small grants to community-based organizations who are able to identify the people who most need their services. To ignore the work being done by these agencies would give the impression that we are not supportive of a comprehensive approach to eliminating illiteracy in our workforce

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

HEALTH & WELFARE (These represent a small portion of the anticipated grants in this category.)

OPPORTUNITY	$ SAVINGS	ONE TIME COST	RISK/ ISSUES/ COMMENTS
1. AIDS Funding	470,000		PM could suffer a major set-back within the gay/lesbian community if funding for these programs was halted. Potentially the company could experience a major boycott of its products if it is perceived that we have decided not to go forward with this program.
2. Harlem YMCA	50,000		PM has been experiencing PR problems within the Harlem Community. The YMCA in Harlem is in a precarious financial position. If we were to defund this organizations, it would result in a disruption of its efforts designed to assist the youth of Harlem, exacerbating the problems PM already has in the community.
3. Hunger Free Carolinas	3,000		PM has been attempting to work with the operating companies to support focused giving projects in communities of importance to the Company. Should this hunger organization be defunded, the operating communities would be receiving conflicting signals, making support for the program problematic.
4. New York Urban Coalition, Inc.	25,000		This organization has long been associated with assisting the less fortunate in the City. PM has established a long and visible relationship with this group. Any decision to defund would adversely affect the organization's ability to carry-on.As a major corporate citizen in New York City, we would be subject to much public criticism for ending a relationship with such a prestigious group.

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

Corporate Affairs Headcount

2nd Revised Budget	Authorized	Part-time	Professional Services	Temporary Help	Academic/ Summer Intern	TOTAL
Public Affairs	37	3	4	9	2	55
Government Affairs	30	0	0	3	1	34
Corporate Communications	18	1	14	5	1	39
Corp. Affairs Policy & Admin.	18	2	0	3	0	23
External Affairs	2	0	0	0	0	2
CA Executive	10	0	0	0	0	10
Subtotal	115	6	18	20	4	163
Post Corporate Cost Review (Changes Only)						
Positions Eliminated	(4)	(1)	(4)	(5)	(1)	(15)
Positions Frozen	(8)					(8)
Total	103	5	14	15	3	140

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000

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Source: https://www.industrydocuments.ucsf.edu/docs/qjfl0000